Headquarters U.S. Air Force

Integrity - Service - Excellence

Housing Privatization Current Status and Policy

Major Scott Warner
HQ USAF/ILEHM
May 04

U.S. AIR FORCE

Awarded Privatization Projects

Total Houses Privatized: 6,092 at 8 Installation

Awarded Privatization Projects

Total Houses Privatized: 6,092 at 8 Installation

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8-in-12 Update

- Kirtland (ESG 13 Apr 02) AWARDED – 1 May 03
- Patrick (ESG 12 Mar 03) AWARDED – 1 Oct 03
- Moody (ESG 10 Sep 03) AWARDED – 1 Mar 04
- Little Rock (ESG 16 Oct 03) Not. to Transfer – 2 Apr 04
  - Notification expires 2 May 04; Closing scheduled 1 Jun 04
- Buckley (ESG 10 Nov 03) OMB Approval – 18 Feb 04
  - Awaiting signature on Notification to Transfer Package
- Hanscom (ESG 19 Dec 03) PROTEST – filed 16 Mar 04
- Hickam (ESG 17 Jul 03) PROTEST – filed 30 Mar 04
- Offutt (ESG 10 Feb 04) PROTEST – filed 20 Apr 04

- Beale (ESG 3 May 04) In Source Selection
- Shaw (ESG Pending) In Source Selection
- Hill (ESG Pending) In Source Selection
- Cannon (ESG Pending) In Source Selection

Housing Privatization:
Eight (Plus Four) in Twelve

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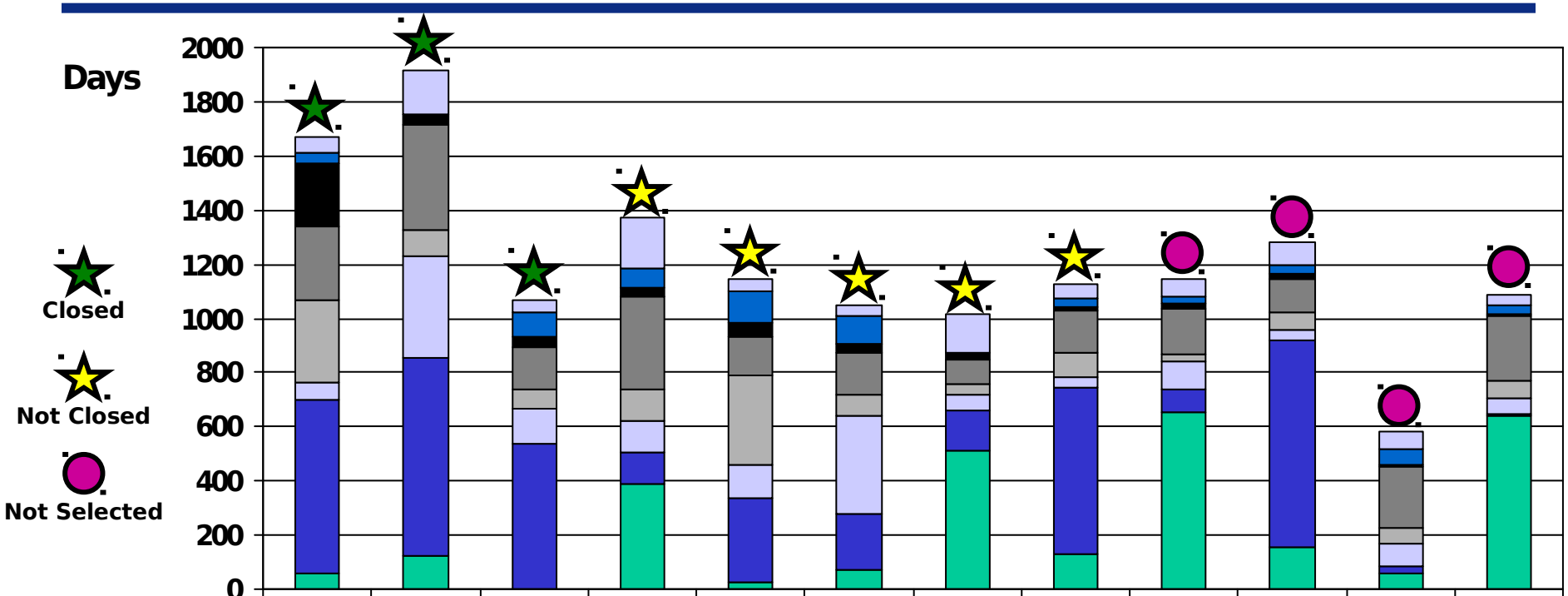

	Kirtland	Patrick	Moody	Hickam	Little Rock	Buckley	Hanscom	Offutt	Shaw	Hill	Cannon	Beale
Award	64	161	45	183	43	37	140	49	62	81	63	36
Notification (Transfer)	34	0	92	72	119	106	0	31	30	31	61	30
Notification (Award)	237	42	36	34	50	30	25	17	15	21	9	11
Step 2	271	390	155	343	139	157	88	155	171	125	222	237
Step 1	306	92	76	118	332	74	44	91	27	64	57	67
Proj Advertised	61	379	130	112	124	362	57	35	105	40	85	54
RFP Approval	639	731	534	121	308	212	147	616	84	765	28	8
Concept Approval	61	123	0	386	28	69	512	130	651	153	58	642

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Starting in March 2004:

The Rest of the Identified Projects

	BASE
1.	Elmendorf AFB 2
2.	Langley AFB
3.	Nellis AFB
4.	Eglin / Hurlburt AFB
5.	Holloman AFB
6.	Dover AFB
7.	Wright-Pat AFB 2
8.	McGuire AFB/Ft. Dix
9.	Altus AFB
10.	Lackland AFB 2
11.	Sheppard AFB
12.	Luke AFB

	BASE
13.	Tinker AFB
14.	Barksdale AFB
15.	Maxwell AFB
16.	FE Warren AFB
17.	McChord AFB
18.	Columbus AFB
19.	Keesler AFB
20.	Scott AFB
21.	Fairchild AFB
22.	Travis AFB
23.	Tyndall AFB

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Housing Privatization or MILCON

- **Goal is to privatize 60%…our plan meets the goal…but……**
  - **Additional privatization needed to accelerate Northern Tier installations**
  - **MILCON scope reductions impact ability to meet 2007**
- **More privatization is required**

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Upcoming Housing Privatization Projects

New Privatization Projects in FY04 FHMP

Davis-Monthan AFB (FY05)

Robins AFB (2) (FY05)

Vandenberg AFB (FY05)

Hickam AFB (2) (FY06)

AETC Group 2+

Goodfellow AFB **Laughlin AFB**
Vance AFB **Randolph**

AFB

Colorado Springs Group **AF Academy** **Peterson AFB**

Brings Total to 50 Bases, ~ 47,000 Housing Uni

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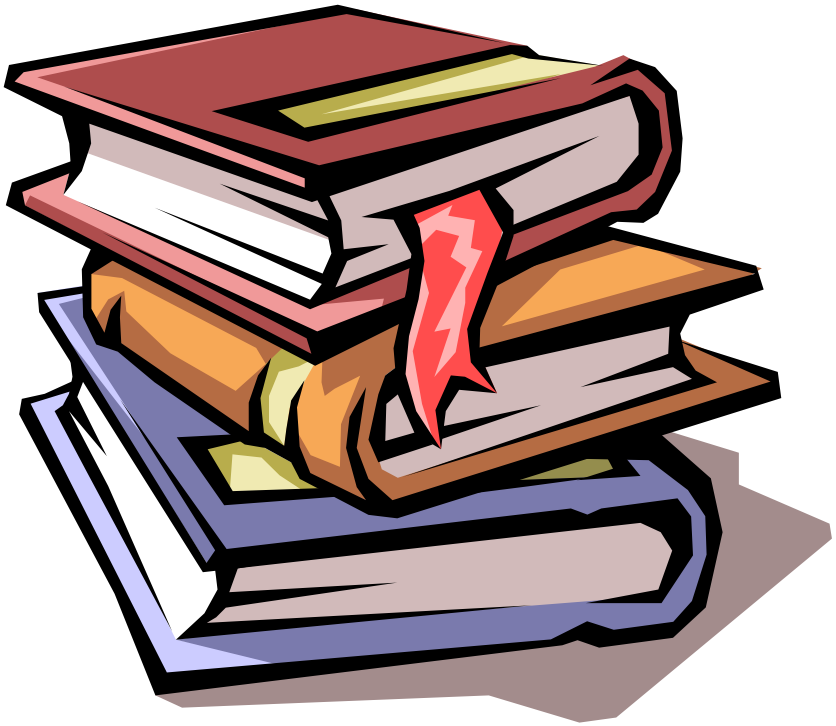
Policy Issues



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GOQs and Historic Units

Discussion:

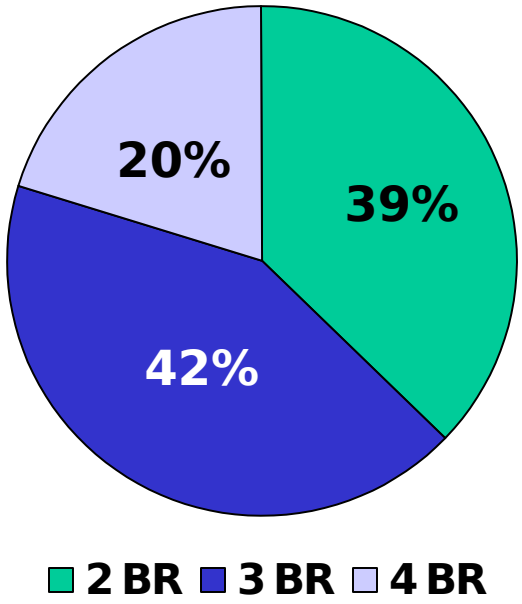
- Some MAJCOMs have been reluctant to include GOQs and historic units in their privatization projects, while other MAJCOMs have successfully and willingly included them
- CSAF policy is to consider all housing units in privatization deals
- RFP should include specific requirements for historic properties and GOQs; refer to Generic RFP for current language; other requirements identified by installation
  - Could include MOA with State Historical Preservation Office and specifics from the GOQ Individual Facility Profile
  - Crafting language requiring developer return the historical units back to the AF at the end of the 50-year deal

Bottom Line: MAJCOMs include historic units and GOQs in their deals; ensure RFP includes appropriate level of service to units

2-Bedrooms vs. 3-Bedrooms in Military Family Housing

Discussion:

- Current HRMAs include 2 BRs
  - Most developers prefer 3BR due to expected market demand
- MAJCOMs/bases prefer no 2BR, but 39% of requirement is 2BR
- 2BR Modified is standard for MILCON and Privatization requirements
  - 2 BR Modified policy signed by ILE 9 Mar 04
  - Standard defined as the 2 BR standard plus an additional den/w closet and ¾ bath
- **Bottom Line:** New standard applied to future MILCON and privatization transactions



Davis-Bacon & Service Contract Act Wage Rates

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Discussion:

- Federal contracts for construction, alteration or repair of public building or public work require specific Department of Labor wage rates
  - Generally higher than local rates
- Federal dollars involved, Davis-Bacon Act (DBA) *generally* applies
- DBA application has been on a case by case basis
  - AF has left determination to local installations and project specifics
- Congressional interest that DBA applies to Hawaii projects
- ILEH and AQCK meet with Dept of Labor to familiarize them with HP and make case that while DBA applies, Service Contract Act (SCA) wages do not, as this is not a contract—results positive

Bottom Line: While application of DBA is the norm, AF will continue DBA determination on case by case basis. AF position is SCA wages to not apply

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Fire and Security Reimbursement

Discussion:

- 2003 NDAA required SO's to reimburse services for emergency services provided to privatized housing
- Policy has been well defined with AF/XOF and AF/ILE approval of the approved methodologies
  - AF/ILE memo, 23 Sep 03, transmitted Fire Protection methodology to the field
  - Security reimbursement methodology approved by XOF in Jul 03..provided to division level at MAJCOMs and to AFCEE
- Actual reimbursements are much lower than the initial $350 estimate
- AFCEE and SAF/FMCE has posted the methodologies on their housing privatization web sites

Recommendation: Use the approved fire and security methodologies to determine the reimbursement needed to input into project proforma

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Units Above the HRMA

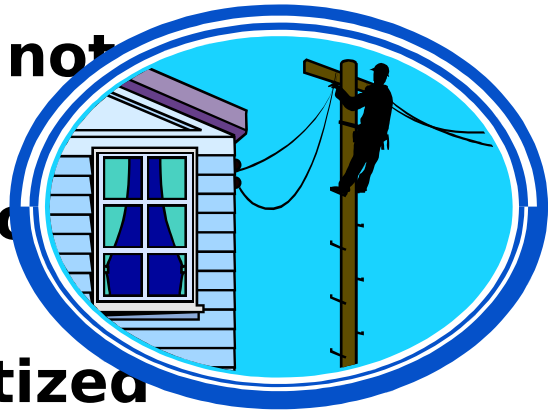
Discussion:

- OSD policy is to build to HRMA requirements
  - HRMA process was accelerated to provide new baseline
  - OSD questions even deficit reduction that is supported by HRMA
- Phase II projects coupled with HRMA may result in “excess” homes
- Additional homes could provide additional income
  - Restructure phase I into revised whole base phase II
  - Convey units to developer for “demand” or 100% civilian use
- Keeping excess homes may be prudent if scored cost is zero
- OSD will require a business case before approving the use of surplus units

Bottom Line: Projects can go above HRMA, IF the business case support and NO additional AF $ support is required

Coordinating HP and UP Initiatives

- **SAF/IEI signed policy letter on 16 Dec 03 detailing 3 situations**
  - **Housing Privatized, Utilities are not**
    - **Utilities go with HP**
  - **Utilities Privatized, Housing is no**
    - **Utilities go with UP**
  - **Housing and Utilities both Privatized**
    - **Utilities go with HP where technically feasible. AFCESA make determination**



- **<u>Bottom Line</u>: Utility systems should be privatized with houses where/whenever possible**

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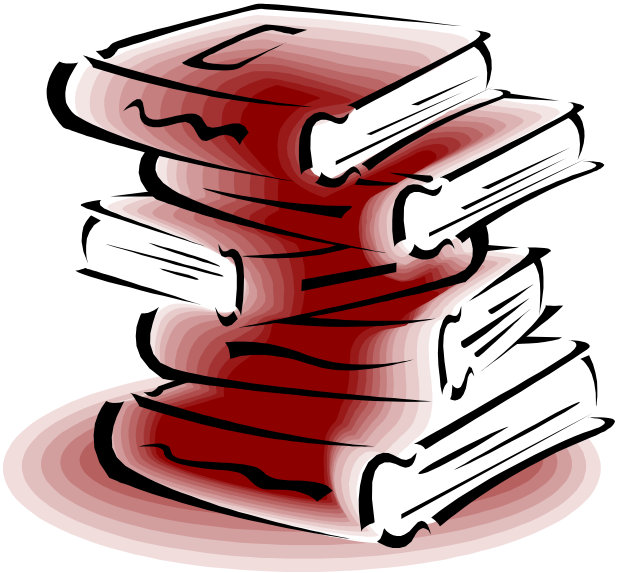
FM Guidance Update



Discussion

- New guidance issued Nov 03
- Package includes:
  - Concept Pro Forma Guidance/Policy
  - Economic Analysis Guidance/Policy
  - FM Roles & Responsibilities
  - EA / Pro Forma / Scoring Report Templates
- New Privatization Section added to the SAF/FM website

Bottom Line: Grab a copy today at http://www.saffm.hq.af.mil/FMC/af-priv/housing.html

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Changes to Generic RFP

Discussion

- **The Generic RFP represents sum total of lessons learned and policy associated with HP**
- **MAJCOMs not authorized to change "gray text" of document, which consists of approved policy and processes**
- **HOWEVER, anyone can propose changes to RFP and annexes**
  - **Changes are submitted to AFCEE at http://www.afcee.brooks.af.mil/dc/dcp/news/legal/generalfeedback.asp**
  - **Reviewed and approved by AFCEE, ESG Sub-Committee and ESG**
  - **Approved change posted in next quarters distribution of RFP**

Bottom Line: The generic RFP is a force enabler for HP, but changes are possible as our knowledge and experiences increase

AFI 32-6007, Privatized Family Housing

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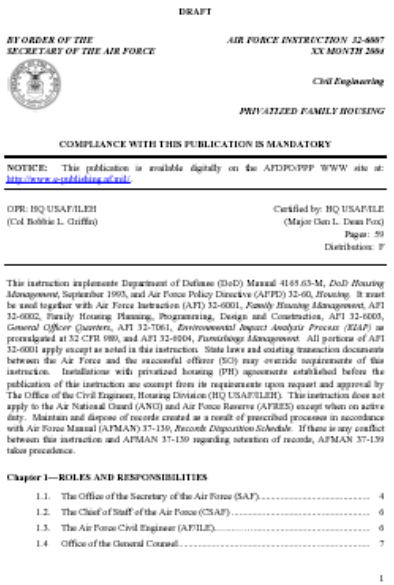
The Latest

- MAJCOM Comments incorporated
- Out for HQ AF Review 4-16-04
- Publish June 04
- What is it based on
  - Input from housing personnel
  - Generic Transaction Documents (TD)
  - Lessons Learned from Existing Privatization Projects
  - Existing AFIs, CRFs, policies, regulations, laws



DRAFT

BY ORDER OF THE SECRETARY OF THE AIR FORCE

AIR FORCE INSTRUCTION 32-6007
XX MONTH 2004

Civil Engineering

PRIVATIZED FAMILY HOUSING

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

NOTICE: This publication is available digitally on the AFDPO/PPP WWW site at: http://www.e-publishing.af.mil/.

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This instruction implements Department of Defense (DoD) Manual 4165.63-M, *DoD Housing Management*, September 1995, and Air Force Policy Directive (AFPD) 32-60, *Housing*. It must be used together with Air Force Instruction (AFI) 32-6001, *Family Housing Management*, AFI 32-6002, Family Housing Planning, Programming, Design and Construction, AFI 32-6003, *General Officer Quarters*, AFI 32-7061, *Environmental Impact Analysis Process (EIAP)* as promulgated at 32 CFR 989, and AFI 32-6004, *Furnishings Management*. All portions of AFI 32-6001 apply except as noted in this instruction. State laws and existing transaction documents between the Air Force and the successful offeror (SO) may override requirements of this instruction. Installations with privatized housing (PH) agreements established before the publication of this instruction are exempt from its requirements upon request and approval by The Office of the Civil Engineer, Housing Division (HQ USAF/ILEH). This instruction does not apply to the Air National Guard (ANG) and Air Force Reserve (AFRES) except when on active duty. Maintain and dispose of records created as a result of prescribed processes in accordance with Air Force Manual (AFMAN) 37-139, *Records Disposition Schedule*. If there is any conflict between this instruction and AFMAN 37-139 regarding retention of records, AFMAN 37-139 takes precedence.

Chapter 1—ROLES AND RESPONSIBILITIES

1.1. The Office of the Secretary of the Air Force (SAF) 4
1.2. The Chief of Staff of the Air Force (CSAF) 6
1.3. The Air Force Civil Engineer (AF/ILE) 6
1.4 Office of the General Counsel 7

1

Bottom Line: Provides instructions and policies to all levels of the AF. Note: SO's are NOT bound by this document, only the TD!

The CAP: (What is it and Why do I Care)

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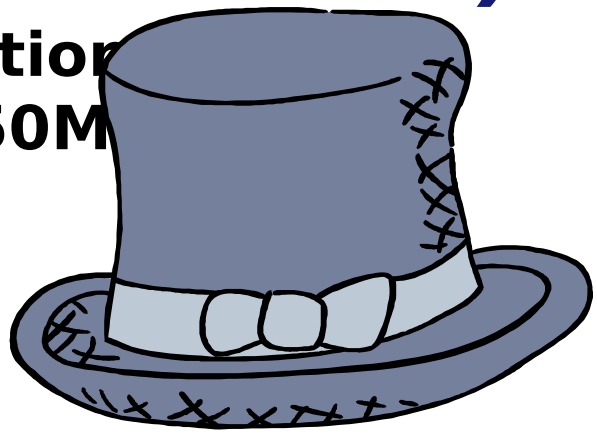
Discussion



- **When Congress Approved Legislation testing HP they capped HP at $850M UP at $150M**
  - **Legislation extended HP till 2012, but Cap was not raised**
- **OSD predicts services will reach CAP in Nov 04..**
- **No CAP Authority….No Money for Privatization**
- **However, No Money for MILCON either**
- **Congress calling for $1.1B increase to Cap**

Bottom Line: Latest indications are CAP will Increase

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Conclusion

Discussion

- **Dollars are still important, whether budget authority or profit**
- **These are not contracts!!**
- **We have a responsibility to a resident 30 years from now, not just someone today**
- **Our Airmen still need to talk to a housing person!!**

- **Bottom Line: HP works, but it is not MFH**

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A Vision for the Future....
Keeping an Eye on Peace....
Kosovo

BACKUP SLIDES

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Air Force Housing Privatization Goal

Accelerate our ability to eliminate inadequate housing units and provide military families access to safe, quality, affordable, well-maintained housing in a community where they will CHOOSE to live

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Starting in March 2003:

Eight (Plus Four) in Twelve

	BASE	Award
1.	Kirtland AFB	May 03
2.	Patrick AFB	Oct 03
3.	Moody AFB	Mar 04
4.	Hickam AFB	Dec 03
5.	Little Rock AFB	Feb 04
6.	Buckley AFB	Mar 04
7.	Beale AFB	Mar 04
8.	Shaw AFB	May 04

BACKUP

	BASE	Award
1.	Hanscom AFB	Mar 04
2.	Hill AFB	Aug 04
3.	Cannon AFB	May 04
4.	Offutt AFB	Apr 04

It did not happen….why?

CONUS-Plus Housing Program Overview

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Lackland	Awarded
Dyess	Awarded
Robins	Awarded
Elmendorf	Awarded
Wright-Patterson	Awarded
Kirtland	Awarded
Patrick	Awarded
Moody	Awarded
Little Rock	Notify Funds
Buckley	OSD(C)
Hanscom	Protest
Hickam	Protest
Offutt	Protest
Beale	Step 2
Cannon	Step 2
Shaw	Step 2
Hill	Step 2
Nellis	Step 2
Tinker	Step 1
Eglin/Hurlburt	RFP
McGuire/Ft Dix	RFP
Dover	RFP
Scott	RFP
Altus	OSD(H&CS) App
Luke	OSD(H&CS) App
Sheppard	OSD(H&CS) App
Langley	Concept
Barksdale	Concept
FE Warren	Concept
Maxwell	Concept
McChord	Concept
Columbus	Concept
Keesler	Concept
Tyndall	Concept
Holloman	Concept
Fairchild	Concept
Travis	Concept
Goodfellow	FHMP
Laughlin	FHMP
Randolph	FHMP
Vance	FHMP
Robins II	FHMP
Peterson	FHMP
USAFA	FHMP
Hickam II	FHMP
Vandenberg	FHMP
Dyess II	FHMP
Davis-Monthan	FHMP

CONUS-Plus Housing Program (cont'd)

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Minot	MILCON
Malmstrom	MILCON
Andrews	MILCON
Bolling	MILCON
Charleston	MILCON
Grand Forks	MILCON
MacDill	MILCON
McConnell	MILCON
Pope	MILCON
Eielson	MILCON
Mt. Home	MILCON
Seymour Johnson	MILCON
Whiteman	MILCON
Ellsworth	MILCON
Edwards	MILCON
Andersen	MILCON

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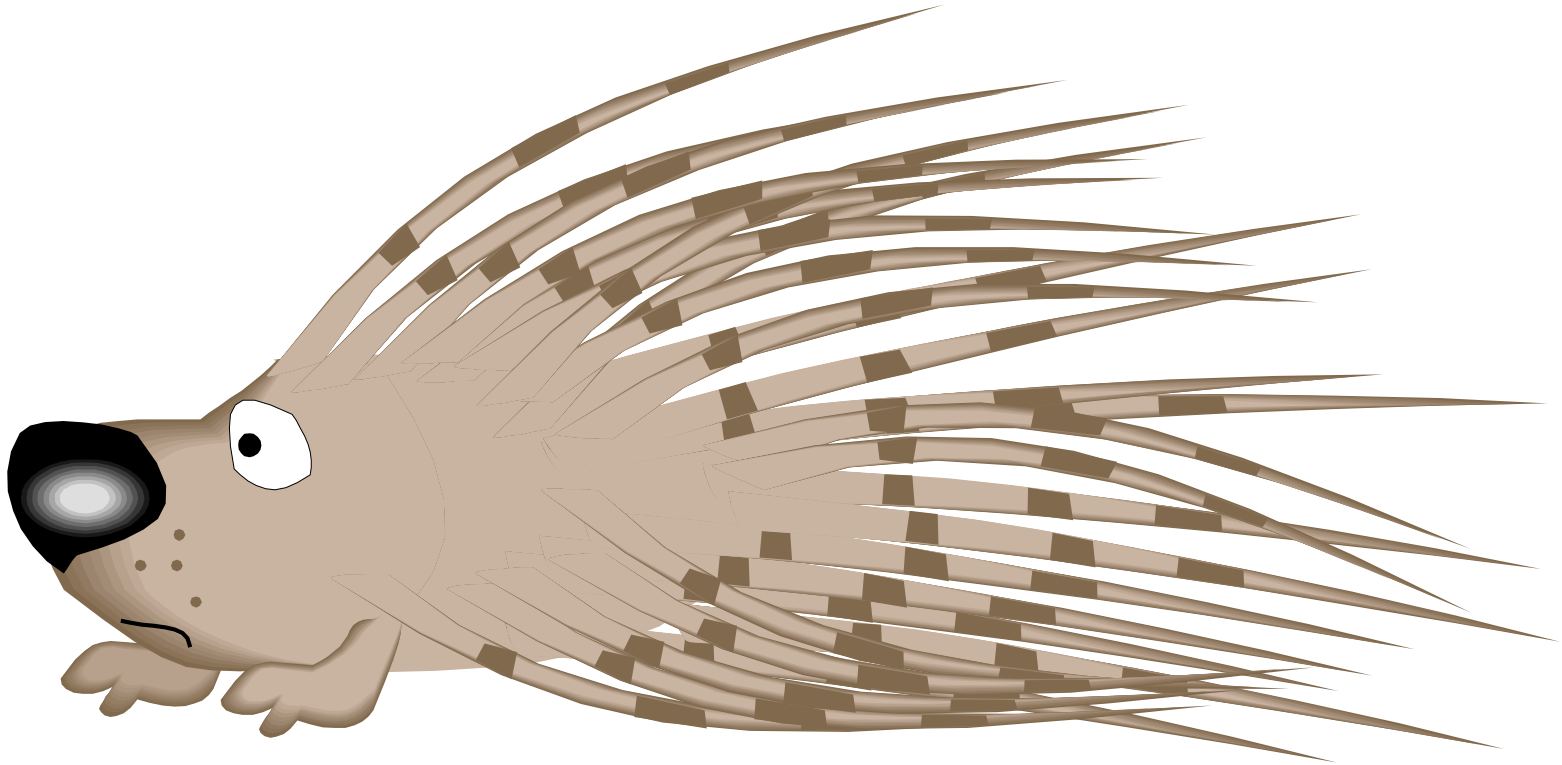
Myths and Tips



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Housing Privatization "Tips vs. Myths"

- **Schools and Impact Aid – changes can be mitigated, but may occur**
  - **Unique situations will be studied**
  - **Engage the local districts/schools early!**
- **CDC rates - are same on or off-base, all include BAH**
- **Food stamp eligibility - some members may lose eligibility based on higher income (BAH on LES)**
  - **Working with AF/DP entitlements and Dept of Agriculture; family subsistence supplemental allowance impact**
- **School lunch eligibility - 15 May 02 approval to remove BAH from eligibility for lunch programs received; expires 30 June 04**
  - **USDA perusing permanent legislation**
  - **There are pitfalls with that….**

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Housing Privatization "Tips vs. Myths"

- **"When can civilians 'off the street' occupy privatized housing?"**
- **General Public members are at the bottom of the eligibility list**
- **Housing assignment "Waterfall" for other eligibles:**
  - **Other Active duty military family/unaccompanied military**
  - **Federal Civil Service employees**
  - **Retired military members**
  - **Guard/Reserve members**
  - **Retired Civil Service**
  - **DoD Contractor's/Permanent employees (US citizens)**
  - **General Public**

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Housing Privatization "Tips vs. Myths"

- **How the "Waterfall" is working at Robins AFB:**
  - **98% of the units occupied**
  - **236 non-target tenants from the "Waterfall"**
    - **119 E-1 to E-4 families**
    - **36 Unaccompanied**
    - **9 DoD Civilians**
    - **3 Retirees**
    - **59 ANG members (under a lodging lease)**
    - **10 General public**
- **Waterfall tenants limited to one-year lease**
  - **Situation may change at the base and you want flexibility to open houses back up for your families**
- **Developer looking to end leases with general public residents next year**
- **Robins helped the overall program in other ways…**

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Housing Privatization "Tips vs. Myths"

- **"How are utilities paid?"**
  - **Rent equals BAH minus an amount to cover 110% of estimated average utility charges for a designated unit**
  - **Houses will be metered for electricity and natural gas**
  - **Members will be responsible to pay their own electric and natural gas bills**
  - **Water, sewer, and trash are provided as part of the rent payment**
- **Could a resident have out of pocket expenses?"**
  - **Yes, it's possible… if they exceed the "110% allowance"**
  - **If they use less than the allowance, they pocket the difference**
- **Looking to provide mock utility bills before privatization to help residents understand their consumption patterns**

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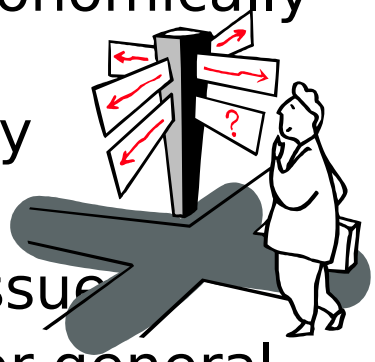
Severability

Discussion:

- Previously only severable areas would be privatized
  - Partial base privatization efforts (Lackland, Elmendorf, Dyess, Wright-Patterson, Patrick, Robins, Hickam)
- Severability constrained our ability to develop economically viable privatization projects at some locations
- CSAF, 3 Sep 03 letter rescinded severability policy
- OSD will NOT approve *any* partial base projects
- Addressing short term vs. long term occupancy issue
  - Short term: use of NCIC background checks for general public tenant applicants and allow base entry for SMALL numbers
  - Long term: change in requirement which changes deal will require severing the now "market housing"



Recommendation: Privatization will be whole-base initiatives

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Force Protection in HP:
Inside the Fence Line

- **DISCUSSION: Force Protection in Privatized Housing**
- **ASSUMPTIONS**
  - **PH will remain inside the fence line**
  - **AF will provide Fire and Police services on a reimbursable basis**
- **FORCE PROTECTION**
  - **No special measures required for PH**
  - **Developer required to build GOQs with appropriate security**
  - **Force protection provided to perimeter**
  - **Standoff distances should be addressed in within perimeter upgrade projects.**
  - **AF will continue responsibility to maintain perimeter defenses**
  - **FP still permitted for PH residents**

Hickam AFB

Force Protection in HP:

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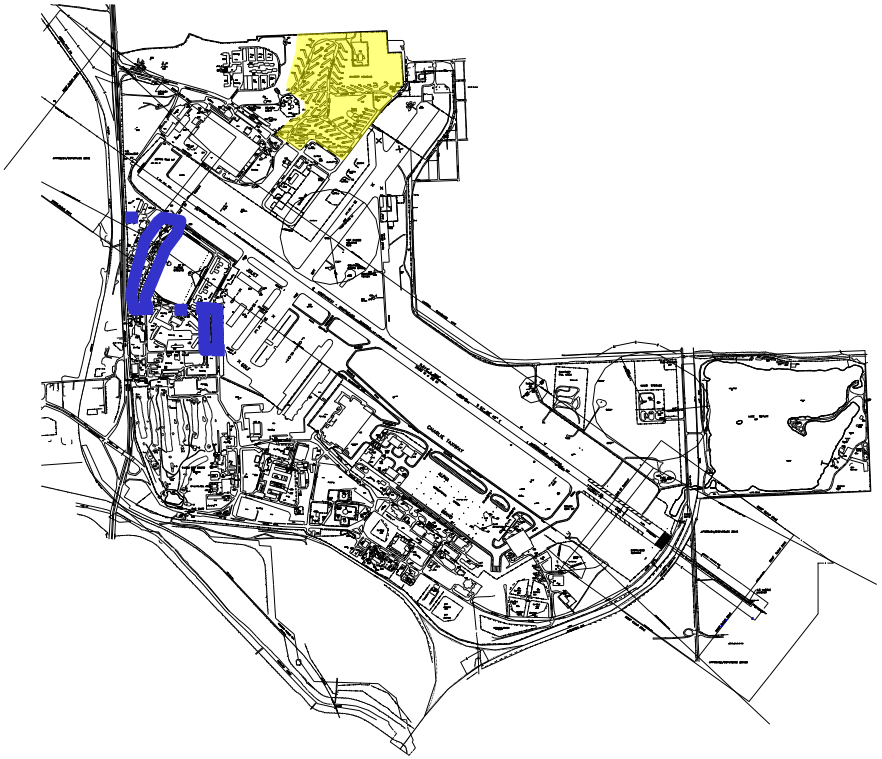
Inside the Fence Line

- **ACCESS TO PH**
  - **Anyone desiring access to PH must follow installation entry procedures**
  - **RFP will require SO to fund National Crime Information Center (NCIC) background check on any perspective tenant from the general public (GP)**
  - **If check is favorable, GP tenant will be provided a restricted access pass to installation**
  - **Perimeter fence will not have to be relocated to create severable area for short-term occupancy**



Offutt AFB

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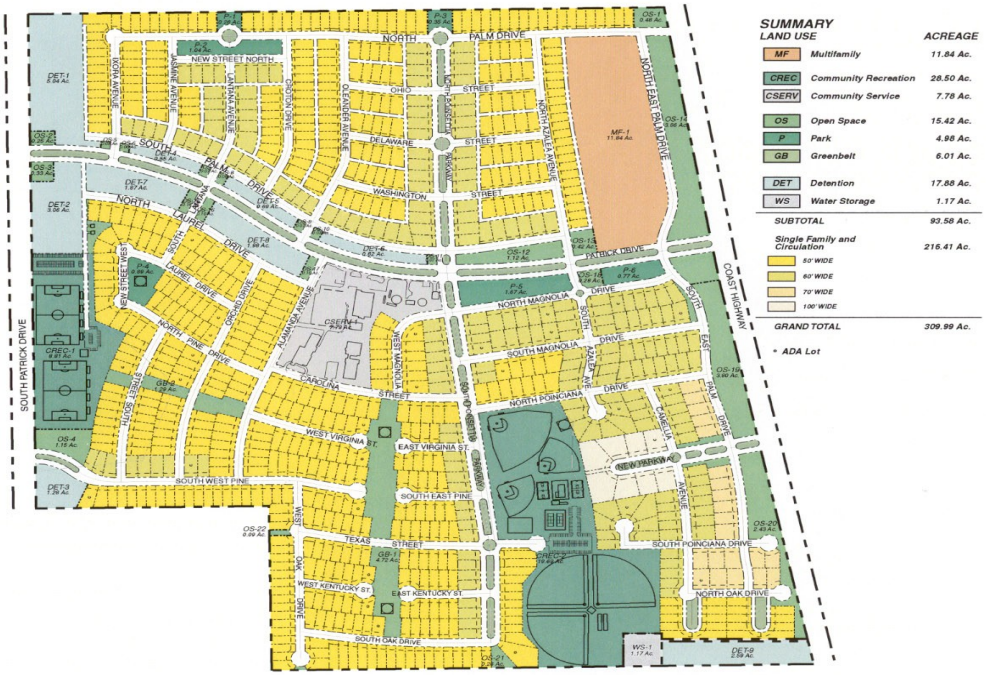
Force Protection in HP:

Outside the Fence Line

- **Perimeter defense measures will not be required in geographically separate and severed PH**
- **Local law enforcement will provide security. FP still permitted for residents of off-base PH (AF/JAG Opinion)**
- **RFP will require developer to fund NCIC background check on any perspective GP tenant**
- **Developer must assess surrounding neighborhood around PH and provide appropriate**



Patrick AFB

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Recouping Excess Funds in a Deal

Discussion

- **Air Staff&OSD's multiple options**
  - **Land Lease Payments**
    - **Section 2883 DoD Housing Funds:**
      (c) Credit to funds – there shall be credited to the DoD FHIF the following:
      (c) Proceeds from the conveyance or lease of property or facilities under section 2878 of this title for the purpose of carrying out activities under this subchapter with respect to military family housing.
  - **Paying a Partial BAH instead of full BAH**
    - **Funds would actually be saved, rather than recouped**
    - **What would be impact on community housing**
  - **Make the FHIF into a revolving fund**
    - **Would this be too late to benefit program**

Bottom Line: AF&OSD exploring the various options